

MINUTES - MEETING NO. 003
HAWAII GREEN INFRASTRUCTURE AUTHORITY
State of Hawaii

February 26, 2015 – 2:30 P.M.

Department of Business, Economic Development and Tourism
250 S. Hotel Street, 4th Floor, Conference Room 436
Honolulu, Hawaii 96813

ATTENDANCE

Members Present: Mark Glick, Wesley Machida, Jeff Mikulina, and Luis Salaveria

Staff Present: Richard Lim, Gregg Kinkley (Deputy Attorney General), James Bac, Tan Yan Chen, Cyd Miyashiro, Merissa Sakuda, Ashley Kruse, and Jill Sugihara

Guest Present: Dan Purcell

I. ROLL CALL

Chair Salaveria called the meeting of the Hawaii Green Infrastructure Authority (HGIA) to order at 2:30 PM.

Chairperson Salaveria	Present
Vice Chair Glick	Present
Secretary Mikulina	Present
Member Machida	Present, left at 2:42 PM

MATERIALS DISTRIBUTED

1. Agenda for February 26, 2015 Meeting.
2. Minutes for the Regular Meeting on November 28, 2014.
3. Action Items; HGIA Deployment Partner Agreements

II. APPROVAL OF MINUTES

Chair Salaveria called for a motion to approve the minutes of November 28, 2014. Member Machida moved and Secretary Mikulina seconded the motion. There being no discussion, Chair Salaveria called for a vote.

Ayes: Members Glick, Machida, Mikulina, and Salaveria.

Nays: None

The motion carried unanimously.

III. STATUS REPORT

Chair Salaveria introduced Cyd Miyashiro to present the status report. Cyd provided the following updates:

1. Mr. Richard Lim, the current Interim Executive Director for the HGIA turned in his resignation on February 19, with his last day being February 27, 2015.
2. Member Machida, who was an at-large member, now fills the seat of the Director of Budget and Finance. This leaves the HGIA board with one vacancy to be filled by the Governor, which the State Boards and Commissions is aware of.
3. There were three bills introduced this session that directly impacted GEMS, two of which sought to use GEMS financing to fund specific purposes:
 - a. HB 824/SB1198 – Relating to Agriculture, which would authorize the HGIA to reserve a portion of the Hawaii Green Infrastructure Fund to be used exclusively for the issuance of bonds to qualified agricultural enterprises. In its testimony, the State Energy Office requested that this bill be deferred because it earmarked GEMS funds without providing any flexibility to the Program. The House and Senate committees deferred these bills.
 - b. HB 927, HD1 and SB 1096, SD1 – Relating to On-Bill Programs, are Administration bills submitted by the Public Utilities Commission that exempts electric utilities from various State taxes and State financial regulations when acting as billing and collections agents for the PUC's on-bill program. The State Energy Office and HGIA supported these bills because they have a positive impact on the on-bill program by exempting the utility from taxation and regulation when acting as a pass

through. Both bills are still alive and are moving to their respective money committees.

- c. HB1509, HD2 – Relating to Energy. This is a Representative Chris Lee sponsored measure that requires UH to establish and meet a net-zero energy goal by January 1, 2035, for its facilities, and establishes the University of Hawaii Net-Zero Special Fund for the purpose. Originally, the bill earmarked GEMS funds to provide clean energy financing for the University of Hawaii, however, the State Energy Office requested amendments to this bill so that GEMS would be considered as one of the potential financing options where appropriate. House Finance will be hearing this bill on Friday, February 27, at 11:00 AM and the Energy Office is currently in support of this bill.

Chair Salaveria thanked Interim Executive Director Lim for his service.

There being no further questions or comments, Chair Salaveria moved on to the next agenda item.

IV. REPORT OF THE SEARCH COMMITTEE FOR THE EXECUTIVE DIRECTOR

Chair Salaveria stated that the Search Committee is comprised of Wes Machida and Mark Glick, and asked Vice Chair Glick to present the update.

Vice Chair Glick reported that a professional services solicitation was issued in November 2014, which resulted with only one offer. A modified professional services solicitation was issued in December, with the same result of one offer.

A RFP was then issued on January 23, 2015, with proposals due on February 11, 2015. One bidder resulted. An evaluation committee comprised of Tan Yan Chen, Kathy Yim and himself found the proposal to be fair and reasonable. A Notice of Intent to Award the contract would be sent today.

Secretary Mikulina asked why there was such a low response.

Vice Chair Glick responded that he did not know.

Mr. Lim remarked that it would be a challenge to find someone with banking and energy background.

Chair Salaveria asked whether there were any questions or comments from the public. Mr. Purcell asked how the fee payment would be structured. Vice Chair Glick responded that it would be \$50,000 one-time fee.

There being no further discussion, Chair Salaveria moved on to the next agenda item.

V. DISCUSSION AND/OR DECISION MAKING

A. Ratify Temporary Assignment of Cyd Miyashiro as Interim Executive Director.

Chair Salaveria stated that on February 19, 2015, DBEDT received the resignation of Richard Lim, Interim Executive Director of the HGIA. His last day with the HGIA is February 27. Since a permanent Executive Director has not yet been found, Mr. Lim recommended that Cyd Miyashiro be temporarily assigned as the Interim Executive Director. Ms. Miyashiro is currently a Program Officer at the HGIA and has been involved with the GEMS program for almost two years. Chair Salaveria stated that she has been involved in discussions with deployment partners and has an understanding of the GEMS program and products. She has a MBA and banking experience, as well as necessary background and experience to manage the GEMS program while the search for a permanent Executive Director is being conducted.

Chair Salaveria reminded the members that by temporarily assigning Ms. Miyashiro to the Interim Executive Director position, she will be provided with the same authority that was conferred to Richard Lim at the October 23, 2014, HGIA meeting, which are as follows:

1. Signing Authority for contracts for services of consultants for rendering professional and technical assistance and advice, and any other contract necessary and proper for the implementation of the Green Infrastructure Loan Program, pursuant to Section 196-65 (a)(4).
2. Signing Authority for contracts for the administration of the loan program, pursuant to Section 196-65(a)(5).
3. Signing Authority to certify payrolls, requisitions, invoices, and other documents essential to the proper administration of the Authority.
4. Hiring employees necessary to perform the duties of the Hawaii Green Infrastructure Authority.

Chair Salaveria stated that in order to ensure the smooth transition of the HGIA to the permanent Executive Director, it was important that someone was assigned to lead the day-to-day operations of the GEMS Program. In addition to the temporary assignment, the board needs to discuss her salary. For discussion

purposes, Chair Salaveria proposed the salary to be the same as the current Interim Executive Director, which was \$115,000 a year.

Vice Chair Glick moved, and Member Machida seconded the motion. Chair Salaveria asked if there was any discussion of the temporary assignment or salary.

The members agreed that it was a fair salary given the responsibilities of the position.

Chair Salaveria asked if there was any public comment. Mr. Purcell thanked the board for giving Ms. Miyashiro the same salary as the previous Interim Director, as there is traditionally a salary gap between men and women.

There being no further discussion, Chair Salaveria asked for a vote to ratify the Temporary Assignment of Cyd Miyashiro as Interim Executive Director with a salary of \$115,000.

Ayes: Members Glick, Machida, Mikulina, and Salaveria.

Nays: None

The motion was carried unanimously.

At 2:42 PM, Member Machida left the meeting.

B. Approval to Enter into Agreement with Program Deployment Partners

Chair Salaveria stated that Ms. Miyashiro would present four action items.

Ms. Miyashiro explained that Phase 1 would include non-profit and consumer loans with two agreements related to each loan product, and proceeded to provide the staff's recommendation for each agreement.

1. Loan Purchase and Servicing Agreement for Non Profit and Commercial Loan Product with Pacific Rim Bank.

Staff recommended the Board's approval of Pacific Rim Bank (PRB), a Hawaii based community bank, as a non-profit/commercial lender for the GEMS loan program. Approval would authorize the Interim Executive Director to enter into a loan purchase and servicing agreement to fund clean energy loans complying with the GEMS Program guidelines.

GEMS would purchase up to \$65 million of closed loans, subject to review by the HGIA, and retain PRB as the servicing agent for GEMS purchased loans.

PRB's compensation would be comprised of an origination fee of 1% of the loan amount, to be paid by the customer and may be financed in the loan balance, and a servicing fee of 0.50% of the outstanding principal balance. Legal fees for GEMS form loan documents may be reimbursable to PRB upon approval by GEMS.

PRB would originate, process, underwrite to GEMS guidelines, close and fund the GEMS non-profit/commercial loans; hold collateral loan documents; and service loan payments and perform collection activities, as required.

The documents were reviewed by external counsel and the Attorney General's Office.

In April 2014, a letter was sent to local banks soliciting interest in participating in the GEMS loan program. PRB was the only bank interested in working with HGIA. They have over 30 years of experience in non-profit lending. PRB meets the requirement of a GEMS deployment partner, as approved in the PUC Order 32318.

2. Marketplace Access Agreement for Non-Profit/Commercial Product with Clean Power Finance.

Staff recommended the Board's approval of Clean Power Finance (CPF), a national financial services and software provider for the solar industry and capital markets as a power purchase agreement (PPA) provider for the GEMS loan program. Approval would authorize the HGIA Executive Director to enter into a Market Access Agreement for PPAs complying with program guidelines.

CPF would make available tax advantaged PPAs for \$65 million in GEMS Nonprofit/Commercial loans, which would result in \$100 million of clean energy systems funded.

There would be no direct compensation to CPF from GEMS. Compensation would be provided by a third party tax equity fund.

CPF would facilitate prepaid PPA financing by providing the origination platform and selecting participating tax equity funds.

The documents were reviewed by external counsel as well as the Attorney General's Office.

During the first and second quarters of 2014, the State had extensively explored tax equity structures and participants both locally and nationally. CPF was the only provider interested in working with the HGIA to develop a PPA product that successfully integrated long-term debt to expand credit criteria for nonprofit sector financing. Clean Power Finance met the requirements of a GEMS capital provider and deployment partner, as approved in the PUC Order 32318.

3. Loan purchase agreement for consumer loan product with House of Finance.

Staff recommended the Board's approval of House of Finance (HOF), a Hawaii based Non-Depository Financial Service Company as a consumer loan originator for the GEMS loan program. Approval would authorize the HGIA Executive Director to enter into a Loan Purchase Agreement for loans complying with program guidelines.

GEMS would purchase up to \$50 million of closed loans, subject to review by the HGIA.

HOF's compensation would be comprised of a flat origination fee of \$300 per loan to HOF, to be paid by the customer, which may be financed in the loan balance. Legal fees for form loan document may be reimbursable to HOF upon approval by GEMS.

HOF would originate, process, underwrite to GEMS guidelines, close and fund GEMS consumer loans.

The documents were reviewed by external counsel and the Attorney General's Office.

In April 2014, a letter was sent to local banks soliciting interest in participating in the GEMS program. Due to structural differences between

GEMS and the local banks' processes servicing and accounting of nonbank assets, the local banks were not amenable to participation. HOF expressed interest in working with HGIA and they are licensed to offer consumer loans in the State of Hawaii. In accordance with PUC Order 32318, HOF would need to meet the requirements of a GEMS capital provider and deployment partner.

4. Loan Servicing Agreement for consumer loan product with Concord Servicing.

Staff recommended the Board's approval of Concord Servicing, a national third-party loan servicing provider as a consumer servicing agent for the GEMS loan program. Approval would authorize the HGIA Executive Director to enter into a loan servicing agreement for loans complying with program guidelines.

Concord Servicing would be retained as the servicing agent for GEMS purchased loans.

Concord Servicing's compensation would be comprised of monthly payments based on the size of the servicing portfolio. Fees are approximately \$3.67 per loan for on-bill repayment loans and \$5.09 per loan for non-on-bill repayment loans. Reasonable adjustments in the fees may be allowed for charges in scope that are in-line with servicing requirements, or reasonable inflation adjustments.

Concord Servicing would hold collateral loan documents for closed consumer loans; and service loan payments and perform collection activities, as required.

The documents were reviewed by external counsel and the Attorney General's Office.

Due to the timing uncertainty of the start of the PUC's on-bill program, it was essential to select a company that had experience with on-bill servicing structure. Concord was selected for their experience working with New York and California's on-bill programs. In accordance with

PUC Order 32318, Concord would need to meet the requirements of a GEMS capital provider and deployment partner.

At the conclusion of Ms. Miyashiro's presentation, Chair Salaveria asked for a motion for approval to enter into agreements with program deployment partners to provide non-profit and consumer commercial loan products as follows:

1. Loan Purchase and Servicing Agreement with Pacific Rim Bank;
2. Marketplace Access Agreement with Clean Power Finance;
3. Loan Purchase Agreement with House of Finance; and
4. Loan Servicing Agreement with Concord Servicing.

Secretary Mikulina moved, and Vice Chair Glick seconded the motion.

Secretary Mikulina commented that he appreciated the work that was done to put this together. He acknowledged the challenge in working with local banks, but expressed that he would like to work with them in the future.

Mr. Lim commented that they approached all the local banks but the biggest issue was the size. If the program expands, then the local banks may have an interest. In relation to partners, we are currently working with, it made sense for them because Concord is already providing the services; House of Finance wants to get into the State; and PRB has a long standing interest in assisting non-profits.

Chair Salaveria commented that local banks may be too conservative since it is a new program.

Mr. Lim also commented that staff met with all the major banks in Hawaii but in the end they did not want to participate in the program and interconnection issues may have also played a part.

Vice Chair Glick commented that compensation from GEMS is low, and may not be as appealing to the banks in terms of making enough money.

There being no further discussion, Chair Salaveria asked for a vote.

Ayes: Members Glick, Mikulina, and Salaveria.

Nays: None

Excused: Member Machida.

The motion was carried 3 to 0, with 1 excused (Member Machida).

VI. ADJOURNMENT

There being no further business, Chair Salaveria entertained a motion to adjourn.
Vice Chair Glick moved and Member Mikulina seconded the motion.

Ayes: Members Glick, Mikulina, and Salaveria.

Nays: None.

Excused: Member Machida.

The motion passed 3 to 0, with 1 excused (Member Machida).

Chair Salaveria adjourned the meeting at 2:58 PM.

Respectfully Submitted by:



Jeff Mikulina